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## STATE SCHOOL AID UPDATE

Michigan Department of Education

December 2004

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### INFORMATION REGARDING SECTION 31A AT-RISK

As reported in the November 2004 State School Aid UPDATE, the Section 31a At-Risk allowance amount appearing on the November 2004 State School Aid Financial Report was inadvertently calculated using the October 2002 free breakfast, lunch and/or milk eligible pupil count as opposed to the October 2003 count. This has been corrected for the December 2004 payment.

A small amount of FY 2004 At-Risk funds that were overpaid to one Public School Academy are being redistributed in the December 2004 payment. These amounts appear on the December 2004 State Aid Financial Status Report in the section labeled "Prior Year Adjustments." They appear on a line labeled "31a 2004 At-Risk." (Glenda Rader, State Aid & School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov))

### DECEMBER 3, 2004 REVENUE ESTIMATING CONFERENCE

A special revenue estimating conference was held on December 3, 2004 to update revenue projections for FY 2004 year-end and for FY 2005. At that conference, the State Treasurer, the Director of the Senate Fiscal Agency and the Director of the House Fiscal Agency agreed that the FY 2004 school aid fund revenues were \$7.3 million dollars less than what was agreed to at the May 2004 revenue estimating conference and that the FY 2005 school aid fund revenues would be \$113.2 million less than what was projected at the May 2004 revenue estimating conference. Following the conference, the Governor and legislative leaders issued statements that the projected revenue shortfall for FY 2005 would not result in a proration of the FY 2005 per pupil foundation allowance. To address the shortfall, both the House and the Senate have passed Senate Bill 1193 (see related item below).

### BOTH THE HOUSE AND SENATE PASS SENATE BILL 1193

Both the House and the Senate have passed identical versions of Senate Bill (SB 1193) to address a projected revenue shortfall in the FY 2005 state school aid fund. **At the time that this UPDATE is going to print, SB1193 had not been signed by the Governor and, therefore, is not yet law.** If enacted, the bill would amend Section 11 of the State School Aid Act by reducing the amount of the funds appropriated from the state school aid fund and increasing the amount of the funds appropriated from the general fund for FY 2005 school aid purposes to cover the shortfall identified at the December 3, 2004 revenue estimating conference (see related item above). (Dan Hanrahan, State Aid & School Finance, (517) 335-0521, or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov))

Senate Bill 1193 also would amend Section 51a(7) of the State School Aid Act regarding approved special education costs. The amendatory language states that, "total approved costs of special education do not include the costs of a joint shared-employment arrangement between an intermediate district and 1 or more of its constituent districts that took effect in the 2004-2005 or a subsequent school year." It further states that, "The costs associated with the joint shared-employment arrangement shall instead be allocated entirely to the constituent district or districts." To view SB 1193 please go to: <http://www.michiganlegislature.org/> and enter 1193 where you are prompted for a "Bill Number." (Dianne Easterling, Special Education and Early Intervention Services, (517) 241-4517 [EasterlingD@Michigan.gov](mailto:EasterlingD@Michigan.gov))

### STATE SCHOOL AID DATA UPDATED FOR DECEMBER

The December state school aid payment is the 3<sup>rd</sup> payment of the year and reflects 27.27% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on December 20<sup>th</sup>.

**Taxable value** figures used to calculate the December payment represent the tax year 2004 values provided by the county treasurers via the web based taxable valuation collection process. These data can be viewed by school district personnel on the Department's website. The URL is: <http://taxvalue.mde.state.mi.us/taxvalue>. Any revisions to taxable values received prior to December 6, 2004 were incorporated into the payment calculation.

To view your data, click on "Public Access," and then choose your district code and the appropriate tax year from the drop-down menu.

Questions concerning taxable value should first be directed to the appropriate county treasurer.

The **membership blend** used to calculate the December payment incorporated all Single Record Student Database (SRSD) pupil (FTE) counts released to the Department as of December 6, 2004, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information. The membership blend for most districts and public school academies (PSAs) for FY 2005 is 25% of the February 11, 2004 supplemental count and 75% of the September 22, 2004 pupil count.

### **DELINQUENT REPORTS RESULT IN THE WITHHOLDING OF STATE AID**

A few districts and PSAs have failed to comply with the November 15<sup>th</sup> submission deadline for the **Financial Information Database (FID) - Annual Comprehensive Financial Report** and the **financial audit reports**. The financial penalty for non-compliance is a 100% withholding of state aid until the reports are received. Therefore, for the districts with outstanding reports as of December 7, the December payment has been withheld. Payments will continue to be withheld until the required reports are received. A total of seven districts and PSAs have had this payment withheld. Questions regarding the *audit reports* may be directed to Kathy Weller, Office of Audits, (517) 335-6858, or e-mail: [WellerK@Michigan.gov](mailto:WellerK@Michigan.gov). Districts with questions pertaining to the *FID* may contact Glenda Rader, State Aid & School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

It is important to note that in all of the above cases, the delinquent districts were contacted and encouraged to file the reports in order to avoid an interruption in their state aid. Nevertheless, there remain a few noncompliant districts. We appreciate the cooperation of all those who have filed their reports in a timely manner.

### **PRIOR YEAR ADJUSTMENTS IN THE DECEMBER PAYMENT**

Prior year state school aid **adjustments** based on **revised taxable values and pupil counts** have been processed for the December payment. For fiscal years 2001, 2002, 2003 and 2004 these revised values generate an adjustment to the district's Proposal A Obligation amount and appear on page two of the State School Aid Financial Status Report in the Prior Year Adjustment Section. They are labeled "22a XXXX Proposal A Obligation" where XXXX is equal to the fiscal year of the adjustment. For example, a revised taxable value for the calendar year 2003 tax roll affects the FY 2004 state school aid calculation and would result in an adjustment labeled "22a 2004 Proposal A Obligation." Updated spreadsheets are available out on the web to help districts reconcile to these adjustments at [www.michigan.gov/mde/0,1607,7-140-6530\\_6605-20450--00.html](http://www.michigan.gov/mde/0,1607,7-140-6530_6605-20450--00.html). (Glenda Rader, (517) 335-0524 or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov))

### **SECTION 20(19) PAYMENTS CONTINUE IN FY 2005**

Pursuant to the language in Section 20(19), districts which received FY 2002 Section 32e Small Class Size funds continue to have their foundation allowance adjusted by the quotient of the amount of their FY 2002 Section 32e allowance divided by the district's FY 2002 membership. A district qualifying for a foundation allowance adjustment under Section 20(19) must use the funds resulting from this adjustment for purposes allowable under former Section 32e as in effect for FY 2002. An exception to this requirement is that a school or schools operated by a district qualifying for a foundation adjustment under this subsection that have met the adequate yearly progress standards of the No Child Left Behind Act in both mathematics and English language arts may submit an application for flexibility to the Department. The per pupil foundation adjustment is displayed on page 1 of the State School Aid Financial Status Report in the box with the per pupil foundation amount and is labeled "20(19) Foundation Adjustment." The total amount of the foundation allowance adjustment for the Section 20(19) funds is displayed in that box as well. This adjustment affects the value of the state per pupil (STATEPP) on page 2 of the State Aid Financial Status Report under the section labeled "Other Current Year Calculation Information" on the line labeled "20 Foundation Grant." The funds are included in the corresponding amount on that line. (Dan Hanrahan, (517) 335-0521, or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov))

### **GENERAL INFORMATION**

C The proration factor for Section 31a - At Risk funding is \$126.3747740743 per pupil.

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov)